

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27914]

### Filings Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

November 19, 2004.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by December 13, 2004, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After December 13, 2004, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

#### Xcel Energy Inc., et al. (70-10229)

Xcel Energy Inc. ("Xcel Energy"), a registered public-utility holding company under the Act, and Xcel Energy Services, Inc. ("Xcel Energy Services"), a wholly owned subsidiary services company, both located at 800 Nicollet Mall, Minneapolis, MN 55402, and Public Service Company of Colorado ("PSCo"), one of Xcel Energy's wholly owned utility companies, 1225 17th Street, Denver, CO 80202 (collectively, "Applicants"), have filed an application-declaration, as amended

("Application"), with the Commission under sections 9(a)(1), 10 and 12(d) of the Act and rules 44 and 54.

Xcel Energy proposes to sell one of its wholly owned public-utility company subsidiaries, Cheyenne Light, Fuel & Power Company ("Cheyenne"), to Black Hills Corporation ("Black Hills"), a public-utility holding company exempt from registration under section 3(a)(1) of the Act by rule 2.<sup>1</sup> Cheyenne is an electric- and gas-utility company, operating in and around Cheyenne, Wyoming, and serving approximately 38,000 electric and 31,000 natural gas customers.<sup>2</sup> It is subject to the jurisdiction of the Wyoming Public Service Commission ("Wyoming Commission") and the Federal Energy Regulatory Commission ("FERC").<sup>3</sup>

Xcel Energy directly owns five utility subsidiaries, serving electric or natural gas customers in 11 states: Cheyenne, Northern States Power Company, Northern States Power Company, PSCo and Southwestern Public Service Co. The proposed buyer of Cheyenne, Black Hills, is headquartered in Rapid City, South Dakota. Its sole public-utility company subsidiary, Black Hills Power, Inc., has customers in eleven counties in western South Dakota, eastern Wyoming and southwestern Montana. Its nonutility subsidiaries are engaged in other energy-related and telecommunications activities.

Xcel Energy states that its agreement to sell Cheyenne to Black Hills was the result of an auction in which Black Hills was the successful bidder. On January 13, 2004, Xcel Energy and Black Hills entered into a stock purchase agreement in which Xcel Energy agreed to sell and transfer to Black Hills, and Black Hills agreed to purchase from Xcel Energy, all of the common stock of Cheyenne. The purchase price that Black Hills agreed to pay for Cheyenne's stock is the sum of (i) \$82,000,000 in cash, (ii) minus the principal amount of indebtedness and all accrued and unpaid interest owed by Cheyenne on Cheyenne's bond issuance

(as of the closing date on the sale),<sup>4</sup> (iii) plus or minus any adjustments due under the working capital and the capital expenditure adjustments provided for in the agreement.

Xcel Energy, Xcel Energy Services and PSCo also request authority to enter into a transition services agreement with Black Hills under which they will provide certain services to Cheyenne, including certain (i) operational services, (ii) corporate services, (iii) information services, and (iv) other services, for a period not to exceed 6 months (9 months for operational services), with a possible extension period of 3 months.

#### Black Hills Corporation, et al. (70-10255)

Black Hills Corporation ("Black Hills"), a South Dakota holding company exempt from registration under section 3(a)(1) of the Act by rule 2, and its subsidiaries, including Black Hills Power, Inc. ("Black Hills Power" or "Utility Subsidiary"), its electric public-utility subsidiary (collectively, "Subsidiaries"), all located at 625 Ninth Street, Rapid City, SD 57701 (together, "Applicants"), have filed an application-declaration, as amended ("Application") with the Commission under sections 6, 7, 9, 10, 11, 12(b) and (c) and 13(b) of the Act and rules 43, 45, 54 and 88 through 92 of the Act.

Black Hills seeks to purchase Cheyenne Light, Fuel & Power Company ("Cheyenne"), an electric- and gas-utility company subsidiary of Xcel Energy Inc. ("Xcel Energy"), a registered holding company, ("Acquisition") and requests certain related authorizations.<sup>5</sup> Cheyenne is a retail utility serving customers located in Wyoming exclusively. Cheyenne would be Black Hills' second public-utility company subsidiary upon completion of the Acquisition (together with Black Hills Power, "Utility Subsidiaries").<sup>6</sup>

<sup>4</sup> The bonds were issued under an indenture dated March 1, 1948, as amended, between Cheyenne and U.S. National Bank of Denver. As of March 31, 2004, about \$25 million in principal was outstanding.

<sup>5</sup> Xcel Energy has filed an application with the Commission for authorization to sell Cheyenne to Black Hills. See SEC File No. 70-10229 (May 14, 2004). Xcel Energy has also requested authority to enter into a transition services agreement with Black Hills, for a brief period, to provide Cheyenne with certain continued operational and administrative services immediately following the Acquisition to assure the transition of Cheyenne.

<sup>6</sup> Black Hills intends to register as a holding company under section 5 of the Act upon receipt of Commission authorizations (for which it has filed and which are currently pending) enabling it and its Subsidiaries and businesses to operate and engage in various financing and investment activities, intrasystem services and other related

Continued

<sup>1</sup> Black Hills has stated its intention to register as a public-utility holding company under section 5 of the Act upon receipt of Commission financing and other related authorizations (for which it has filed and which are currently pending). See Black Hills Corporation, et al., Holding Co. Act Release No. 27907 (November 1, 2004).

<sup>2</sup> Cheyenne had revenues of approximately \$97 million as of December 31, 2003, with net income of approximately \$2.1 million. Cheyenne was incorporated in 1900 under the laws of Wyoming and was acquired in October 1923 by PSCo.

<sup>3</sup> The Wyoming Commission's jurisdiction extends to Cheyenne's facilities, rates, services, accounts and issuance of securities. The FERC's jurisdiction extends to Cheyenne's accounting practices, transmission and sales of electricity in interstate commerce.

Black Hills is an energy company with three principal subsidiaries: (i) Black Hills Power, which is engaged in the generation, transmission, distribution and sale of electricity to customers in South Dakota, Wyoming and Montana and the wholesale sale of power in the western United States; (ii) Black Hills Energy, Inc. ("Black Hills Energy"), a direct wholly owned subsidiary engaged, through subsidiaries, in the development, ownership and operation of exempt wholesale generators, as defined in section 32 of the Act, and qualifying facilities as defined in the Public Utility Regulatory Policies Act of 1978, the production, transportation and marketing of natural gas, oil, coal and other energy commodities, power marketing and other energy-related activities; and (iii) Black Hills FiberCom, LLC, a wholly owned subsidiary of Black Hills Energy, engaged in telecommunications activities and which Applicants anticipate will become an exempt telecommunications company, as defined in section 34 of the Act.

Black Hills states that its common stock issued and outstanding was 32,458,000 and its total assets were \$2,014,667,000 (\$486,827,600 in total electric utility assets and \$1,556,951,840 in other corporate assets), as of June 30, 2004. For the six months ended June 30, 2004, Black Hills Power had electric utility revenues of \$81,414,000. For the year ended December 31, 2003, Black Hills Power had electric utility revenues of \$170,942,000. Black Hills has investment grade ratings from two major rating agencies (Baa3 from Moody's and BBB – from Standard & Poor's). Black Hills anticipates that, upon the consummation of the Acquisition, its ratio of common equity as a percentage of total capitalization of Black Hills will be approximately 44%.

In connection with the request for authorization to make the Acquisition, Black Hills also requests certain authorizations to enable it, its Subsidiaries and Cheyenne, to operate and engage in certain financing and investment activities, intrasystem services and other related activities and

activities and transactions following its registration ("Financing Application"). See Black Hills Corporation, *et al.*, Holding Co. Act Release No. 27907 (November 1, 2004). Black Hills Power is regulated as a public-utility company by the states of South Dakota, Wyoming and Montana (which regulate its retail electric rates and charges and most of its securities issuances) and, under the Federal Power Act, by the Federal Energy Regulatory Commission ("FERC"). Black Hills Energy, directly and indirectly, owns the Black Hills' interests in nonutility subsidiaries ("Nonutility Subsidiaries").

transactions following the Acquisition, to facilitate Cheyenne's operation in the Black Hills system ("Black Hills System"). Black Hills proposes that these authorizations, for, or related to, Cheyenne, be subject to the limitations contained in any Commission order resulting from Black Hills' pending Financing Application, with none of these Cheyenne proposals causing any change in the limitations proposed in the Financing Application (other than the inclusion of Cheyenne as an authorized participant in the relevant respects).<sup>7</sup> Black Hills' requests for Cheyenne financing authorizations, for the period beginning with the effective date of an order issued in this matter, through December 31, 2007 ("Authorization Period"), and for certain related activities are summarized as follows:

1. For Black Hills, directly or indirectly, to retain or refinance Cheyenne's existing outstanding long-term utility financing arrangements and debt issuances in the total amount of approximately \$25 million ("Cheyenne's Existing Long-Term Debt" or "Cheyenne's Existing Financings");

2. For Cheyenne (like the other Subsidiaries), to issue and sell securities, comprised of: (a) Common stock ("Subsidiary Common Stock") (b) preferred stock and preferred stock equivalent securities ("Subsidiary Preferred Securities," as defined below), (c) unsecured and secured short-term debt ("Subsidiary Short-Term Debt") and (d) unsecured and secured long-term debt ("Subsidiary Long-Term Debt") (subject to the same limitations as the other Subsidiaries, including in the limit of up to an aggregate amount of an additional \$1 billion in securities outstanding at any one time ("Aggregate Additional Financing Limit"), as described in the Financing Application);

3. For Cheyenne (like the other Subsidiaries), to enter into transactions to manage interest rate risk, including anticipatory hedging transactions (together, "Interest Rate Hedging Transactions") (subject to the same limitations as the other Subsidiaries described in the Financing Application);

4. For Cheyenne (like the other Subsidiaries), to issue guarantees and other credit support ("Guarantees") (subject to the same limitations as the other Subsidiaries, including the limit of up to an aggregate amount of \$400 million ("Additional Guarantee Limit") described in the Financing Application);

5. For Cheyenne (like the other Subsidiaries), (a) to form financing entities ("Financing Subsidiaries," as

defined below) and (b) to issue and sell securities through Financing Subsidiaries, subject to the Aggregate Additional Financing Limit;

6. For Cheyenne (like the other Utility Subsidiary), to participate in the money pool to be established by Black Hills and enter into certain intrasystem financing arrangements (subject to the same limitations as Black Hills Power, described in the Financing Application); and

7. For Cheyenne (like the other Subsidiaries), to obtain services from the service company established by Black Hills, to provide certain services among the Subsidiaries and to be excepted, among other things, from various at-cost rules applicable to transactions among Black Hills System companies (subject to the same limitations as Black Hills Power, described in the Financing Application).

#### *Proposed Acquisition*

Black Hills states that it and Xcel Energy entered into a stock purchase agreement, dated as of January 13, 2004 ("Acquisition Agreement"), in which Black Hills agreed to acquire all the common stock of Cheyenne for \$82 million, payable in cash at closing, less principal and accrued interest on all Cheyenne's indebtedness, with appropriate adjustments for working capital and capital expenditures. Black Hills expects the purchase price to be approximately equal to Cheyenne's book value as of the date of the Acquisition Agreement. Black Hills does not expect any new long-term debt to be issued to finance Black Hills' cash payment to Xcel Energy, although Black Hills, indirectly, will be assuming approximately \$25 million of Cheyenne's Existing Long-Term Debt.<sup>8</sup>

Black Hills states that Cheyenne will be operated as a subsidiary. Furthermore, it has not yet determined Cheyenne's leadership and the exact composition of the Cheyenne Board of Directors, but it expects the Cheyenne official in charge of day-to-day operations at Cheyenne will be a Wyoming resident, as will certain

<sup>8</sup> Black Hills states that the Acquisition Agreement has been approved by the Boards of Directors of Black Hills and Xcel Energy and no shareholder approval is required. Black Hills also states that it will use the purchase method of accounting for the Acquisition, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141 ("Business Combinations") (i.e., the total cost of acquiring Cheyenne will be assigned to the tangible and identifiable intangible assets acquired and liabilities assumed in the Acquisition based on their fair values on the date of Acquisition). Black Hills states that it intends to "push down" the purchase accounting and establish a new basis of accounting for the stand-alone financial statements of Cheyenne.

<sup>7</sup> See *supra* note 6.

members of Cheyenne's Board of Directors. Cheyenne's corporate headquarters will remain in Cheyenne and Cheyenne will retain local Wyoming facilities for customer service, maintenance and fieldwork operations.

Black Hills' current (and, at this time, its only) Utility Subsidiary, Black Hills Power, a South Dakota corporation, has its principal office in Rapid City, South Dakota, and is engaged in the generation, transmission, distribution and sale of electricity to approximately 60,000 retail customers in eleven counties throughout a 9,300 square mile service territory comprising portions of western South Dakota, eastern Wyoming and southern Montana.<sup>9</sup> Black Hills Power also sells bundled capacity and energy service to the municipal electric system of the City of Gillette, Wyoming, and wholesale capacity and energy to other wholesale customers under a market-based rate wholesale power sales tariff on file with FERC. It owns generating facilities in its South Dakota service area and in Wyoming's Powder River Basin, just west of Black Hills Power's service territory. In addition, Black Hills Power owns and operates a small transmission system of 230 kV and smaller transmission facilities located in southwest South Dakota and northeast Wyoming, with a 69 kV distribution extension into southeast Montana.<sup>10</sup> Black Hills Power's transmission system totals 2,195 miles of transmission facilities.<sup>11</sup> It provides transmission service over its system under a joint open access transmission tariff on file with FERC ("Black Hills Power Joint Tariff").<sup>12</sup>

<sup>9</sup> Black Hills Power's distribution facilities in Montana are limited and Black Hills Power served only 34 retail customers in Montana in 2003.

<sup>10</sup> Black Hills Power also shares an ownership interest with Basin Electric in a new 200-MW capacity AC/DC/AC converter tie facility located at Rapid City, South Dakota ("Rapid City Tie") that interconnects the Western and Eastern electric grids. Due to its system's isolated location, Black Hills Power provides transmission service to only a small number of third-party customers.

<sup>11</sup> The Black Hills Power transmission system is integrated with the regional transmission system, with interconnections with the Western Area Power Administration ("WAPA") and PacifiCorp transmission systems, and Black Hills Power provides transmission service to itself and third-party transmission customers. Black Hills Power's transmission system is located within WAPA's Rocky Mountain Region ("RMR") transmission control area. Black Hills Power operates its transmission system as a subcontrol area within the WAPA RMR control area. Black Hills Power's system is directly interconnected with the WAPA system at Stegall West substation, in Nebraska, and can also reach WAPA's system through a short transmission path over PacifiCorp's transmission system to PacifiCorp's Dave Johnston/Casper substation, which is directly interconnected with the WAPA system.

<sup>12</sup> The Black Hills Power Joint Tariff governs transmission on the combined transmission systems

Black Hills states that Cheyenne is a small combination retail electric and gas operating utility, serving 37,806 electric retail customers and 30,709 gas retail customers, in and around the City of Cheyenne in southeast Wyoming, as of December 31, 2003. Cheyenne makes no wholesale sales of electricity.

Cheyenne's authorized capitalization consists of 100 shares of common stock, par value \$0.01 per share, and 1,000,000 shares of preferred stock, par value \$100 per share. There are 100 shares of Cheyenne common stock issued and outstanding, as of December 31, 2003. Cheyenne's other outstanding securities consists of \$25 million in long-term debt, as of December 31, 2003. Cheyenne has no subsidiaries.

Its property, plant and equipment was valued at approximately \$82,642,100 (\$49,544,478 (net electric utility property, plant and equipment), \$29,357,486 (net gas utility property, plant and equipment), and \$3,740,136 (net other corporate assets)), as of December 31, 2003. Cheyenne had electric-utility revenues of \$72,107,894 and gas-utility revenues of \$24,926,180, for the year ended December 31, 2003. Black Hills states that Cheyenne averaged over \$4 million per year in net operating income over the last ten years.

Black Hills states that all generating facilities in the Black Hills System owned by utilities will be owned or operated, maintained and dispatched by Black Hills Power. Some generating resources owned by Black Hills Energy also may be scheduled or operated, maintained and dispatched by Black Hills Power as part of a coordinated operating function for the Black Hills System. Cheyenne does not currently own any generating facilities and, as a result, historically, has obtained its full electric requirements for its retail loads from off-system suppliers. Since 2001, the full requirements service has been provided by its Xcel Energy affiliate PSCo. Black Hills supplies power to PSCo; consequently, it may, from time to time, indirectly be supplying a portion of Cheyenne's requirements.<sup>13</sup>

of Black Hills Power and neighboring transmission systems of Basin Electric Power Cooperative and Powder River Energy Corporation. Transmission service over the Rapid City Tie is available under the Black Hills Power Joint Tariff.

<sup>13</sup> Specifically, in 2001, Black Hills Wyoming, Inc. ("Black Hills Wyoming"), a wholly owned indirect Nonutility Subsidiary that owns and operates electric generating facilities in Wyoming, entered into two long-term power sales agreements with Cheyenne to supply up to 100 MW of electric capacity, associated energy and some ancillary services on a unit-contingent basis ("PPAs"). One PPA expires in 2011, the other expires in 2013. Cheyenne later assigned the PPAs to PSCo through 2003 and again from 2004 through 2007, periods when PSCo was, or will be, Cheyenne's full

Black Hills states that Cheyenne is not directly interconnected with any of the Xcel Energy operating companies, is not considered part of the primary Xcel Energy electric system and is not a party to the Xcel Energy system's joint operating agreement.<sup>14</sup> Cheyenne, along with the other Xcel Energy operating companies, offers transmission service on a joint basis under Xcel Energy's Open-Access Transmission Tariff ("Xcel Energy OATT").

Cheyenne owns only limited transmission facilities. They are two 115 kV transmission line segments that total 25.5 miles in length (and are situated wholly within, and operated by, the WAPA Rocky Mountain Region control area), and certain limited transmission facilities in two WAPA transmission substations and a switching station. Cheyenne uses them to interconnect its distribution system with the WAPA transmission system.<sup>15</sup> Although Cheyenne's transmission facilities lines operate at transmission voltage (115 kV) and enable Cheyenne's interconnection with the WAPA system, effectively, they serve only to extend Cheyenne's distribution system.<sup>16</sup> Cheyenne does not have any rate schedules or tariffs on file with FERC. Black Hills states that Cheyenne is a "public utility," as defined in section 201(e) of the Federal Power Act, solely due to its ownership of this limited set of transmission facilities.

Cheyenne also provides natural gas distribution service to over 30,000 retail customers in a 1,200 square mile service area of southeastern Wyoming, in and adjacent to Cheyenne, which substantially overlaps its electric service area. In 2003, 26% of Cheyenne's operating revenues and 36% of operating income came from its gas operations.

requirements supplier. After 2007, the PPAs automatically will revert back from PSCo to Cheyenne. Under the PPAs through 2007, PSCo may from time to time dispatch Black Hills Wyoming's generation to serve Cheyenne's load. Black Hills Wyoming (formerly known as Black Hills Generation, Inc.) is an exempt wholesale generator, as defined in section 32 of the Act. See also Black Hills Generation, Inc., 95 FERC ¶ 62,025 (2001).

<sup>14</sup> Black Hills states that Cheyenne is a separate system that Xcel Energy was permitted to retain under the Act. Xcel Energy operates an electric system, coordinating certain operations under a joint operating agreement.

<sup>15</sup> Cheyenne has a renewable, firm network integration transmission service agreement with WAPA, with three WAPA-defined interconnection points where Cheyenne can accept defined amounts of power delivered over the WAPA system.

<sup>16</sup> Black Hills states that, while transmission over the Cheyenne transmission facilities is offered under Xcel Energy's OATT, Xcel Energy has never received any request for transmission service over the Cheyenne transmission facilities.

### *The Related Financing and Other Authorizations*

Black Hills proposes that the same general financing parameters that it has proposed in its Financing Application for it and its other Subsidiaries be applicable to Cheyenne's External Financings.<sup>17</sup> These parameters are as follows.

Black Hills proposes that the effective cost of capital on any of Cheyenne's preferred securities, short-term debt and long-term debt will not exceed competitive market rates available at the time of the issuance of securities, having the same or reasonably similar terms and conditions issued by companies of reasonably comparable credit quality; provided that in no event will the effective cost of capital exceed, (1) on any series of Subsidiary Preferred Securities or Subsidiary Long-Term Debt, 500 basis points over a U.S. Treasury security having a remaining term equal to the term of the series; and (2) on Subsidiary Short-Term Debt, 300 basis points over the London Interbank Offered Rate ("LIBOR") for maturities of less than one year.

Black Hills also states that the maturity of any long-term indebtedness will not exceed 50 years and that all preferred securities will be redeemed no later than 50 years after their issuance.

In addition, with respect to issuance expenses, Black Hills states that the underwriting fees, commissions or other similar remuneration paid in connection with the non-competitive issue, sale or distribution of a security that is the subject of this Application (not including any original issue discount) will not exceed 5% of the principal or total amount of the security being issued.

With respect to the applicable common equity ratio and any investment grade ratings by the rating agencies, Black Hills states that the consolidated common equity of Black Hills was 47% of total consolidated capitalization (common equity, preferred stock and long-term and short-term debt, including current maturities on long-term debt), as of June 30, 2004. Black Hills commits that it and its Utility Subsidiaries will each maintain a common equity ratio (as reflected in the most recent 10-K or 10-Q (filed with the Commission as required by the Securities Exchange Act of 1934, as amended ("34 Act"), and as adjusted to reflect subsequent events that affect capitalization) of at least 30% of capitalization. Black Hills also represents that, apart from securities

issued for the purpose of funding money pool operations, no guarantees or other securities, other than common stock, may be issued in reliance upon the authorization to be granted by the Commission in this matter, unless (i) the security to be issued, if rated, is rated investment grade; (ii) all outstanding securities of the issuer, that are rated, are rated investment grade; and (iii) all outstanding securities of Black Hills (the holding company in the Black Hills System), that will be registered, that are rated, are rated investment grade ("Investment Grade Condition"). For purposes of this Investment Grade Condition, a security will be deemed to be rated "investment grade," if it is rated investment grade by at least one nationally recognized statistical rating organization, as that term is used in paragraphs (c)(2)(vi)(E), (F) and (H) of rule 15c3-1 under the 34 Act. The Investment Grade Condition ratings test will not apply to any issuance of common stock. Black Hills also requests that the Commission reserve jurisdiction over the issuance of any securities that are rated below investment grade. Black Hills further requests that the Commission reserve jurisdiction over the issuance of any guarantee or other securities at any time that the conditions set forth in clauses (i) through (iii) above are not satisfied.

Black Hills also states that proceeds from the sale of securities in any Cheyenne external financing transactions will be used for general corporate purposes.

Black Hills requests that Cheyenne be authorized to issue and sell securities, comprised of: (a) Subsidiary Common Stock, (b) Subsidiary Preferred Securities,<sup>18</sup> (c) Subsidiary Short-Term Debt and (d) Subsidiary Long-Term Debt (and included in the limit of up to an additional \$1 billion in securities outstanding at any one time, Black Hills' Aggregate Additional Financing Limit (as also described in the Financing Application). Black Hills also requests that Cheyenne be authorized (like the other Subsidiaries) to issue Guarantees (subject to the same limitations as the other Subsidiaries described in the Financing Application (including the limit of up to an aggregate amount of \$400 million, Black Hills' Additional Guarantee Limit).

In addition, Black Hills requests authorization for Cheyenne (like the other Subsidiaries) to enter into Interest Rate Hedging Transactions of

outstanding indebtedness (collectively, "Interest Rate Hedges")<sup>19</sup> and for anticipated debt offerings (collectively, "Anticipatory Hedges"),<sup>20</sup> subject to certain limitations and restrictions, in order to reduce or manage its interest rate costs. Interest Rate Hedging Transactions may be executed on-exchange ("On-Exchange Trades") through brokers by the opening of futures and/or options positions traded on the Chicago Board of Trade or other futures exchange, the opening of over-the-counter positions with one or more Approved Counterparties ("Off-Exchange Trades"), or a combination of On-Exchange Trades and Off-Exchange Trades. Black Hills states that Cheyenne will not engage in speculative transactions. Black Hills states that it and Cheyenne will comply with SFAS No. 133 ("Accounting for Derivatives Instruments and Hedging Activities"), as adopted and implemented by the Financial Accounting Standards Board ("FASB"). Interest Rate Hedges and Anticipatory Hedges will qualify for hedge accounting treatment under the FASB standards in effect and as

<sup>19</sup> Interest Rate Hedges will make use of financial instruments commonly used in today's capital markets, such as exchange-traded interest rate futures contracts and over-the-counter interest rate swaps, caps, collars, floors, swaptions, and structured notes (i.e., a debt instrument in which the principal and/or interest payments are linked to the value of an underlying asset or index), or transactions involving the purchase or sale, including short sales, of U.S. Treasury or U.S. governmental (e.g., Fannie Mae) obligations, or LIBOR-based swap instruments. In addition, Interest Rate Hedges (other than exchange-traded interest rate futures or options contracts) would only be entered into with counterparties whose senior debt ratings, or the senior debt ratings of any credit support providers who have guaranteed the obligations of such counterparties, as published by Standard & Poor's, are equal to or greater than BBB, or an equivalent rating from Moody's or Fitch, Inc. ("Approved Counterparties"). Black Hills also states that fees, commissions and other amounts payable to an Approved Counterparty or exchange or other party (excluding, however, the swap or option payments) related to an Interest Rate Hedge will not exceed those generally obtainable in competitive markets for parties of comparable credit quality.

<sup>20</sup> Anticipatory Hedges (other than exchange-traded interest rate futures or options contracts) would only be entered into with Approved Counterparties and would be used to fix the interest rate and/or limit the interest rate risk associated with any new issuance. Anticipatory Hedges may be implemented through: (i) A forward sale of exchange-traded U.S. Treasury futures contracts, U.S. Treasury securities and/or a forward swap (each a "Forward Sale"), (ii) the purchase of put options on U.S. Treasury securities ("Put Options Purchase"), (iii) a Put Options Purchase in combination with the sale of call options on U.S. Treasury securities ("Zero Cost Collar"), (iv) transactions involving the purchase or sale, including short sales, of U.S. Treasury securities, or (v) some combination of a Forward Sale, Put Options Purchase, Zero Cost Collar, and/or other derivative or cash transactions, including, but not limited to, appropriate structured notes, caps and collars.

<sup>18</sup> "Subsidiary Preferred Securities" is defined to include preferred stock or other types of preferred securities of Cheyenne (including securities such as trust-preferred securities, monthly income preferred securities and equity-linked securities).

<sup>17</sup> See also, Financing Application, *supra* note 6.

determined at the date the Interest Rate Hedges or Anticipatory Hedges are entered into.

Black Hills also requests authorization for Cheyenne to acquire, directly or indirectly, the common stock or other equity securities of one or more entities formed exclusively for the purpose of facilitating the issuance of long-term debt and/or preferred securities and for the loan or other transfer of the proceeds of those issuances to Cheyenne ("Financing Subsidiaries"). Black Hills also requests that Cheyenne be permitted to enter into one or more Guarantees for its Financing Subsidiary, subject to the Additional Guarantee Limit. Black Hills also requests authority for Cheyenne to enter into expense agreements ("Expense Agreements") with any Financing Subsidiary, under which Cheyenne would agree to pay all expenses of the Financing Subsidiary. Black Hills states that no Financing Subsidiary will acquire or dispose of, directly or indirectly, any interest in any "utility asset," as that term is defined under the Act.

Black Hills also requests authorization for Cheyenne to issue to any Financing Subsidiary, from time to time, in one or more series, unsecured debentures, unsecured promissory notes, or other unsecured debt instruments ("Notes"). Black Hills also asks that a Financing Subsidiary be permitted to apply the proceeds of any external financing by it, plus the amount of any equity contribution made to it, from time to time, to purchase the Notes.<sup>21</sup>

Black Hills also requests that Cheyenne be permitted to participate in any Utility Money Pool established by Black Hills in accordance with authorizations resulting from the Financing Application, on the same basis as Black Hills Power. Black Hills further requests that Cheyenne be permitted (like the other Subsidiaries), to undertake internal reorganizations of subsidiaries and businesses, as described in the Financing Application.

In the Financing Application, Black Hills requests authority to organize Black Hills Services Company, Inc., a services company for the Black Hills System in connection with Black Hills' anticipated holding company registration and to engage in various affiliate transactions for the provision of goods, services and construction.<sup>22</sup> Black Hills requests that Cheyenne, like

Black Hills Power, be permitted to provide to other associate companies, services that are incidental to its utility businesses, including, but not limited to, infrastructure services maintenance, storm outage emergency repairs, supply planning services, switchyard activities and services of personnel with specialized expertise related to the operation of the utility, to the extent any of these services might exceed those allowable under applicable rules, as well as provide certain other services and engage in certain affiliate transactions to the same extent that Black Hills Power may be permitted to act by the Commission in connection with the Financing Application.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 35-27913]

### Filing Under the Public Utility Holding Company Act of 1935, as Amended ("Act")

November 19, 2004.

Notice is hereby given that the following filing(s) has/have been made with the Commission under provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by December 15, 2004, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After December 15, 2004, the

application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

### Alliant Energy Corporation, et al. (70-10249)

Alliant Energy Corporation ("Alliant Energy"), a registered holding company, 4902 N. Biltmore Lane, Madison, Wisconsin 53718; Wisconsin Power and Light Company ("WP&L"), Interstate Power and Light Company ("IP&L"), and Wisconsin River Power Company ("WRP"), public-utility subsidiaries of Alliant Energy; Alliant Energy Corporate Services, Inc. ("Alliant Services"), Alliant Energy's subsidiary service company; and the following non-utility subsidiaries of Alliant Energy: Alliant Energy Resources, Inc. ("AER"), Alliant Energy Nuclear LLC and its subsidiary, Alliant Energy Synfuel LLC and its subsidiaries, Alliant Energy EPC, LLC, Alliant Energy TransCo LLC and its subsidiary, Distribution Vision 2010, WPL Transco, LLC, AER Holding Company, AEG Worldwide, Inc. and its subsidiaries, Alliant Energy Neenah, LLC, Alliant Energy Transportation, Inc. and its subsidiaries, Alliant Energy Investments, Inc. and its subsidiaries, Alliant Energy International, Inc. and its subsidiaries, and Alliant Energy Integrated Services Company and its subsidiaries (collectively, "Applicants"), have filed an application/declaration ("Application") with the Commission in this proceeding pursuant to sections 6(a), 7, 9(a), 10, 12(b), 13(b), 32, 33 and 34 of the Act and rules 43, 45(a), 46(a), 53, 54, 58 and 80-92 under the Act.

Applicants request authority to engage in a variety of financing transactions, credit support arrangements, hedging transactions and other related proposals, as more fully discussed below, commencing on the effective date of an order issued under this filing and ending December 31, 2007 ("Authorization Period"). Among other things:

1. Alliant Energy requests authorization to issue and sell during the Authorization Period any combination of the following types of securities: common stock, preferred securities, long-term debt securities having maturities of one to fifty years and short-term debt securities having maturities of less than one year, all subject to an aggregate limitation not to exceed \$500 million at any time outstanding and excluding shares of common stock separately authorized by the Commission in connection with Alliant Energy's Rights Agreement. Further, Alliant Energy requests authorization to issue guarantees and

<sup>21</sup> The terms (e.g., interest rate, maturity, amortization, prepayment and default provisions, etc.) of Notes would be designed to parallel the terms of the securities issued by the Financing Subsidiary to which the Notes relate.

<sup>22</sup> See *supra* note 6.